



B7 GERMANY
2022

FINAL COMMUNIQUÉ
KEY RECOMMENDATIONS FOR G7 LEADERS

Importance of Cooperation between Liberal Democracies

The Business 7 (B7) organizations welcome the inclusion as a partner in the engagement group process of the German G7 presidency to bring in the important perspective of the private sector. International political developments coupled with the consequences of the global Covid-19 pandemic delineate once again the importance of international cooperation. Here, the G7 has a special role to play. Liberal democracies and market-based economies have impressively demonstrated, not least over the course of the pandemic, how they can overcome and master crises and global challenges. Business and government working in partnership was critical to overcoming these challenges. By continuing to work hand in hand, we can drive inclusive and sustainable growth for all underpinned by common values and respect for the rules-based system. The common foundation of values of the G7 states and the rule of law serve as the basis for economic growth, prosperity, sustainability, and innovation.

Sustaining Employment-Rich Growth after and despite the War

We, the leaders of the B7, and businesses across our membership, firmly condemn the Russian aggression against Ukraine, state our grave concern about the war and reiterate our commitment to international law and global governance based on the sovereign equality and territorial integrity of states, the inviolability of frontiers, and the self-determination of peoples as enshrined in the Helsinki Final Act of 1975.

The war on Ukraine has seriously undermined European and global security, has created a humanitarian and refugee tragedy, and has been threatening the well-being of our societies and the strength of our economies ever since. The B7 fully supports the effective sanctions that the governments of the G7 and other democratic nations adopted, raising the costs on Russia, and call upon Russia to retreat from Ukraine and pave the way for a peace settlement.

We encourage our leaders to adopt policies sustaining economic growth and employment where necessary in a period of strongly negative supply shocks. The war on Ukraine presents a huge negative supply-side shock on our economies that were gradually recovering from the global pandemic. Despite the strength of the recovery, the war coupled with the resulting price pressures on oil and gas, on raw materials, and on agricultural commodities and the continued consequences of the pandemic have put our economies under severe stress. The impact of the supply shocks on economic growth will be stronger in Europe than in North America or Asia. Lower growth will hit all, and inflation in Europe and in North America will be very high this year and only gradually unwind. In some economies, recession risks loom large as the causes of the current challenges might deepen or policy shocks become more severe.

As a result, we are faced with a genuine and real cost of crises squeezing firms, communities, and people across the world. G7 governments must use dynamic economic policies to drive business investment, help business stimulate growth, and create jobs across their supply chains. With business and governments working together, we can boost innovation and raise productivity, delivering sustainable solutions to the cost-of-living crisis.

Achieving Price Stability after and despite the War

The B7 organizations are deeply concerned about the short-run consequences of inflation. The economic shocks of Covid-19 and the war propelled inflation in many G7 countries to levels not experienced for almost half-century. We urge our public institutions to urgently address inflation through appropriate monetary policies which ensure inflation is brought back in line with medium-term central bank inflation targets, anchoring inflationary expectations of households and financial markets, and containing potential ripple effects as much as possible. However, in an environment of weaker global and G7 growth, alongside elevated risks to the outlook, a normalization of monetary policy and a tightening of financial conditions should be carefully calibrated towards sustaining economic growth and job generation while minimizing the risk of recession. Conditions in the G7 are sufficiently different to warrant our central banks taking different strategies and policy measures. Nevertheless, the G7 nations should ensure more effective communication and sharing of best practices.

The B7 also stresses their concern about the current and potential impact of the ongoing supply shocks on private investment. The investment outlook in some of our economies has suffered a severe slowdown already as firms face weaker demand, much higher input costs, significantly increased uncertainty, and much more complex and costly global transportation and logistics.

Given that the impact of the energy and commodity price shock has hit some G7 economies considerably harder than others, leaders of the hardest-hit economies should mitigate the impact of those supply shocks on vulnerable low-income private households and on highly energy-intensive firms through targeted, timely and temporary measures. These countries may also consider grants or tax relief to private households and measures supporting liquidity and solvency of firms. In countries with sufficient fiscal space, the return to a more neutral fiscal policy after the pandemic could be delayed. In any case, medium-term expectations of sound public finances should be firmly anchored through appropriate medium-term budget strategies. Moreover, we urge our leaders to deliver on commitments to enhance security and defense, lower energy dependence on Russia, and invest in the twin (green and digital) transformation of our economies. These permanent shifts need permanent adjustments in public budgets.

The B7 urges their leaders to address problems of public over-indebtedness in least-developed and financially vulnerable developing countries in the appropriate international settings through targeted debt restructuring. Financial stability is largely still prevalent but risks in vulnerable pockets of the public and the private sector have clearly increased. We urge our authorities to pay close attention to evolving larger financial risks and to address them appropriately and in a timely manner.

Supporting the Green Transition and the Path towards Decarbonization

We exhort our leaders to upgrade emerging policies on the green transition, which will be key to drive sustainable growth. The diversification of imports of fossil energy raw materials out of Russia must be accompanied by an even stronger adoption of policies embracing the transition to decarbonization and the green economy, while continuing to support non-Russian natural gas as a transition fuel. In some G7 economies, promoting employment creation through reskilling the workforce will continue to be a priority as will ensuring that labor market regulation supports, and does not hamper, transitions whilst ensuring business continuity, especially for SMEs. For many of our countries, continued investment in infrastructure will be important.

To succeed in the ecological transition, the investment needs on renewable energy, hydrogen, nuclear, carbon capture and storage, and other clean energy technologies will be particularly high. This will require even stronger coordinated policies for energy transition and the greening of transportation, manufacturing, and housing through enhanced electrification or the hydrogen economy, as well as the adaptation of labor market regulation and vocational educational systems. We praise the commitment of our governments to mobilize high levels of public and private investment for the twin transition, and business is committed to playing its part in the transition to net zero. These efforts must be continued.

The B7 strongly supports the idea of aligning climate ambitions amongst the G7 countries. We therefore welcome the further exploration of the “climate club” concept as announced by the German G7 presidency, aiming at the acceleration of the industrial decarbonization while addressing carbon leakage concerns. Given that there is no common definition of a “climate club” yet, the B7 intends to contribute to a common understanding and point out necessary features of this instrument.

In line with their governments’ pledges to advance in achieving the goals of the Paris Agreement, businesses in the G7 countries have strongly increased their efforts to cut emissions. For these industrial transformations to be successful, business efforts must be reinforced by decisive government action and targeted support to meet their investment needs.

Business needs a common understanding of sustainability standards to further scale up financing for decarbonization. The work of the International Sustainability Standards Board (ISSB) on a global baseline for sustainability disclosures will be key to ensuring international interoperability and avoiding fragmentation. The B7 is pleased that the G7 officials supported the framework in their communique from May 2021.

Globalization as the Basis of Resilience

Openness of markets for trade and investment is essential for the B7 economies and therefore the basis and condition for growth and prosperity. The global movement of labor is the driving force behind growth in productivity, prosperity, and security of supply. Without the liberalization of market access, it would not have been possible to feed the world's rapidly growing population.

Globalization has contributed to lifting millions of people out of poverty and to driving economic growth. It will remain important for the G7 and global prosperity and it will continue to rely on open markets and the rules-based trading system. Despite all the necessary adjustments to geo-economic realities, the G7 countries will remain partly dependent on both supplies of raw materials and intermediate products and on global sales markets.

The resilience of the G7 economies must grow through diversification of supply chains, building business alliances with trustworthy and like-minded partners, joint projects, and pioneering industrial standards. The reinforcement of sovereignty must in no way lead to protectionist tendencies, overcapacity, or market distortions. The B7 calls on their governments to advocate globally and work towards open markets, ambitious trade agreements, and international economic relations with diverse partners allowing for a resilient global economy.

We urge our leaders to support international efforts to address food security for hard-hit countries in Africa and elsewhere for which imports of wheat, corn, or fertilizers from Russia or Ukraine may be substantially reduced. The G7 governments should oppose export restrictions on food, which violate WTO rules and contribute to the challenge facing global agricultural markets.

Shared Values, Multilateralism, and International Cooperation

B7 members acknowledge that political developments in recent years and Russia's current war on Ukraine require us to consider the role of trade in foreign relations. Geopolitical conflict has raised questions about the longstanding view on open trade and the benefits that it can bring to economies, societies, and international relations in an increasingly interconnected world.

We are clear-eyed that some states have taken advantage of global trade, in turn significantly distorting global markets. We remain convinced that there is no meaningful alternative to rules-based international trade and multilateral means of governance. We are, however, forced to rethink our exposure based on contingency risks in light of the challenges and political uncertainty deriving from political shocks.

The values shared by the G7, among them democracy, freedom, equality, the rule of law, and respect for human rights, remain key for our economic and political relations. Decoupling poses serious risks for our economies and the world. We recognize, however, that the G7 should seek greater economic resilience and we encourage our governments to work with business on any redeployment of worldwide supply chains with a focus on cooperation with like-minded countries as reliable partners sharing G7 values. Achieving ever-closer economic ties through sound and comprehensive WTO-compatible trade and investment agreements is increasingly relevant to our companies. It is our hope that this will incentivize a greater commitment to the rules-based international system.

Multilateral institutions such as the WTO, UN, IMF, and World Bank, as well as fora for both industrial and emerging economies including the OECD, G20, and G7 are pillars of a rules-based global economy. Without global coordination and without globally applicable rules for trade and investment, global economic growth and prosperity will suffer. The least-developed countries in particular would suffer from an erosion of the multilateral economic order. The G7 must do everything in its power to strengthen and expand a fully functional multilateral order and continue to negotiate global rules to tackle the challenges of the modern era, while also exploring and expanding new plurilateral avenues in areas where no multilateral consensus can be realistically reached.

Selected B7 Key Recommendations

Trade Policy

World Trade Organization and Level Playing Field

- It is imperative for plurilateral initiatives at the WTO to be as inclusive as possible, particularly those that address issues highlighted during the pandemic. The G7 should encourage other Members, particularly those from emerging economies, to join, and play an active role in the joint statement initiatives (JSIs), as well as other plurilateral agreements such as the Government Procurement Agreement and the Information Technology Agreement. A clear framework is also needed next to Article X:9 to integrate plurilateral agreements into the larger WTO negotiations structure.
- The G7 must urgently work towards a solution on the WTO Appellate Body crisis. This is key to ensure a functioning dispute settlement system that guarantees members' compliance with the commitments they have undertaken in WTO agreements.
- The G7 should put considerable weight behind reforming and retooling the Agreement on Subsidies and Countervailing Measures (SCM). The G7 should set forth a work plan addressing special and differential treatment and industrial subsidies. Here, it is key that the G7 emphasize that members should undertake commitments in the WTO according to their economic weight, capacities, and competitiveness.

Resilient Supply Chains

- The B7 advocates for diversifying sourcing within supply chains to build resilience and to ensure that the G7 members are less strategically dependent on single nations or suppliers. Diversification should especially be pursued among countries that do uphold their core values of democracy, freedom, equality, the rule of law, and respect for human rights.
- In order to combat global food insecurity, to tackle the sharp rise in commodity prices, and to avoid further humanitarian disasters, coordinated action is required by G7 governments in avoiding export restrictions on agricultural products, including wheat, barley, and sunflower oil, and resist food protectionism in the aggregate. Food production and supply chains should be facilitated by G7 governments and trade corridors for agriculture should remain open.

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- The B7 advocates for resilience based on deeper and more diverse international markets, anchored in open and predictable trade rules. G7-specific cooperation on supply chains goes hand in hand with greater reforms at the WTO. The G7 must affirm itself as a community of strong market-oriented economies.
- The B7 encourages supply chain resilience within the G7 based on the key elements of network resilience, trust, collaboration, responsiveness, infrastructure and tools capabilities, visibility, data accuracy and timeliness, and the coverage of the delivery network. The G7 should work more closely with the private sector in order to achieve resilience, and to undertake a more accurate analysis of the consequences of different potential policies, including reshoring of supply chains and to promote their resilience and diversification. Trade policy coupled with digital solutions must play a key role in lessening strategic risks.

Securitization of Trade Policy

- The B7 calls for resolute political action in the further opening of foreign markets and asks the G7 countries to set a good example by limiting the use of restrictions. The conclusion of free trade and investment agreements, a strong WTO, and development of better global governance are more effective than establishing new hurdles for investors. Inward investment screening should not be motivated by considerations of industrial policy and should remain a limited instrument to protect national security and public order of the G7 countries.
- The G7 should commit to work on a more transparent and precise definition of “national security and order” in the context of foreign direct investment to increase legal certainty for global investment, cognizant of variance in national security concerns across the G7 countries.
- The B7 calls on the G7 leaders to commit to greater cooperation in the development of sensitive technologies. Aside from sustainable energy technology or the digitization of everyday life, an elaborate set of incentives will be a crucial precondition to boost investment in research and development by companies and research institutions alike.
- It is important that G7 leaders acknowledge the vital role an open and competitive economy plays, not only in providing prosperity but also in actually staying technologically ahead beyond mere export controls. Meanwhile, the autocratic challenge to the liberal, rules-based order requires policy answers that interfere with the openness within which a globalized economy would ideally work.

Climate and Energy Policy

Ensuring Secure and Affordable Energy Supply

- G7 countries should strengthen energy security by diversifying energy supply. The B7 acknowledges that technologies and approaches to expand deployment of renewable energy, nuclear power, energy efficiency, transportation electrification, and low-carbon hydrogen are not only important to meeting climate goals, but also contribute to enhanced energy security.

Cooperation on Climate Ambition

- The B7 strongly supports the idea of aligning climate ambitions amongst the G7 countries. We therefore welcome the further exploration of the “climate club” concept as announced by the German G7 presidency, aiming at the acceleration of the industrial decarbonization while addressing carbon leakage concerns. The G7 must work closely together with the countries of the G20 and also make sure that a climate club is open to any country so that are able to join developing countries as well. The challenges related to the inclusion of developing countries should be met with a stepwise approach towards membership.
- The B7 urges all G7 governments to aim to introduce carbon pricing (such as an emission trading system, a carbon tax) ideally covering the same sectors and emissions while at the same time discussing a possible fair global carbon price floor. In the meantime, the B7 calls upon the governments of the G7 to work jointly and together with international institutions towards identifying suitable common metrics that allow to compare different climate policy efforts.
- G7 countries must implement the commitments they have made regarding the review of their nationally determined contributions (NDCs) by the end of 2022 in line with Article 29 and concerning the fastest possible phase-out of inefficient fossil fuel subsidies in line with Article 36 of the Glasgow Climate Pact at COP26.

Cooperation with Developing Countries through Climate Partnerships

- Considering the global dimension of climate change, the B7 urges the G7 to increase their efforts to support developing countries by expanding partnerships such as Just Energy Transition Partnerships or the Asian Energy Transition Initiative.

Decarbonization of the Industry Sector

- The decarbonization of the industry is a huge challenge but also with enormous opportunities for businesses of the G7 countries along the hydrogen value chain, for example in the production of electrolyzers or fuel cells. The G7 should acknowledge the value of coordinated standardization and certification procedures for low-carbon hydrogen supporting an accelerated market ramp-up of low-carbon hydrogen.
- The G7 must develop a common understanding of green base materials, such as green steel or green cement, so that markets can emerge.

Digital Policy

Trustworthy Data Economy as a Strong Driver for Innovation

- The G7 should enhance a data economy that promotes innovation and growth, enables cross-border data-sharing with trust, and tackles the increasing need for highly skilled professionals, encourages equity and diversity across innovation and digitalization skill profiles through inclusion and female empowerment.

Semiconductors as Vital for Economic Success and Stability

- The G7 should develop common strategies and strengthen cooperation amongst themselves with close allies and partners to secure the semiconductor supply chain for all relevant categories of semiconductors, in close coordination with business.

Cyber-Resilience as the Basis for Trust in Digitalization

- The G7 should promote cyber-resilience across organizations, establish cooperation fora with industries in order to enhance the innovation potential and the overall capacities to tackle cyber-incidents and strengthen cryptography to promote trust in the digital transformation.

Cooperation and Coordination in Critical Emerging-Technology Standards

- The G7 should promote market-driven and consensus-based international standards as a basis to create common ground in innovative key technology areas and should ensure due process, robust intellectual property protections, and transparency in standardization bodies in order to avoid misuse of standardization.

Health Policy

Strengthen Health Systems and Ensure Investments in Health

- In order to make health systems more resilient when facing and responding to future health threats, the G7 should ensure strategic investments into health. These investments should allow for predictable and long-term health financing as the foundation of strong health systems, which include prevention and early detection, infrastructure, human resources, a reliable supply of medicines and technologies, and evidence-based policies.

Ensure Equitable Access to Critical Vaccines, Therapeutics, and Diagnostics Globally

- As part of future pandemic responses, the key drivers of access to medical products such as supply chains, open markets, healthcare delivery capabilities, and efficient regulatory approval processes should be strengthened. Strong multilateral cooperation and collaboration, which includes public-private partnerships, will support successful outcomes.

Promote Innovation and Improve the Digitalization of Health

- We must continue to invest in the digitalization of healthcare by creating an interoperable environment where high-quality data can be shared and used to improve healthcare for patients and to drive innovation and develop new health products. Simultaneously, we must protect intellectual property to enable innovators to finance ongoing investments in R&D. The G7 should ensure that IP-related incentives for innovation and knowledge-sharing are maintained or strengthened.

Infrastructure Policy

- G7 countries should engage more in sustainable infrastructure development in developing countries, its financing mechanisms, and related instruments.
- G7 countries should interlock connectivity initiatives and make them complementary, not competing. Initiatives, partnerships, and international connectivity cooperation need to be closely coordinated, focus on the needs of and benefits for partner countries, be based on shared values, and adhere to internationally recognized rules and standards. Developed economies must not engage in a race to the bottom concerning standards.
- Offensive measures and defensive measures that foster a level playing field and strengthen the competitiveness of the G7 and their partners in global infrastructure development should be checked for their applicability in the G7 context.

Employment Policy

The G7 should fully harness the opportunities which digitalization offers for a job-rich recovery

G7 countries should modernize education and training systems to ensure that they are future-proved and provide people with the skills needed to enter and stay in the labor market. Employability must be a key component of education and training systems in order to avoid skills mismatches and digital access for learning to all citizens needs to be improved. Lifelong learning systems should be more accessible, more effective, and more efficient to ensure that workers are not marginalized but empowered by digitalization and AI.

Labor market frameworks should be improved so that business can create jobs and workers get into employment. Open, dynamic, and inclusive labor markets are a key requirement for fully harnessing the opportunities which digitalization offers. Active labor market policies and a public infrastructure are crucial parts of such frameworks and the Social Partners should be fully engaged.

The G7 should make Social Protection Systems more resilient and address labor shortages

G7 countries should make pension systems more financially sustainable and adjust retirement ages in ways that stabilize the old-age dependency rate and reduce the incidence of early retirement. They should increase employment levels of all groups underrepresented in labor markets through comprehensive strategies which focus on activation, improving labor market prospects, making work pay, better care infrastructure for children and dependent family members, and strengthening access to effective and efficient lifelong learning.

The G7 should ensure just transitions in the process of decarbonization that promote job creation and business continuity

G7 countries should link decarbonization with economic growth and employment creation and focus on a proper enabling environment for businesses, particularly SMEs. They should ensure targeted funding and dedicated frameworks/institutions to support transition planning and implementation to increase resilience and sustainability for enterprises. The G7 should develop employment impact assessments of climate change related policies and

regulations to avoid too abrupt transitions with unintended socio-economic consequences and design employment strategies to fully harness the job creation potential of the decarbonization of the economy.

The G7 should promote decent work in supply chains by addressing the root causes of decent work deficits in countries with limited capacities

G7 countries should focus on targeting development cooperation on the root causes of decent work in supply chains, including building the capacity of national institutions to implement and enforce national laws. They should support the roll-out of Alliance 8.7 and the Vision Zero Fund to enhance collective action in supply chains on OSH, Child- and Forced Labor and should develop a global helpdesk to help small and medium-sized companies.

Imprint

Business 7

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The B7 comprises the leading business and industry federations of the G7 states:

Canadian Chamber of Commerce (CCC), Canada

Confederation of British Industry (CBI), United Kingdom

Confederation of Italian Industry (Confindustria), Italy

Federation of German Industries (BDI), Germany

Japanese Business Federation (Keidanren), Japan

Movement for French Enterprises (MEDEF), France

US Chamber of Commerce (USCC), United States

BusinessEurope, European Union